

Navigating the regulatory regime of fintech in the UAE

The UAE has emerged as a hub for Shariah compliant fintech innovation, including in the realm of Islamic finance. The fusion of Shariah principles with modern financial technology has given rise to what is known as Islamic fintech, offering a unique approach to financial services that cater to the needs of humanity and consumers globally. At the same time, the UAE is also a prominent player in the Islamic finance industry, with a well-developed regulatory framework that governs Shariah compliant financial activities. PROFESSOR DR ABDUSSALAM ISMAIL ONAGUN explores this topic.



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The regulatory landscape surrounding Islamic fintech in the UAE is evolving to accommodate this growing sector while ensuring compliance with Shariah principles. Regulators in the UAE have recognized the potential of Islamic fintech to drive financial inclusion and innovation in the region, and as a result, have taken steps to create a conducive environment for its growth. The Dubai Fintech Summit earlier this year proved that the UAE is a leading region that has met the challenge of regulating cryptocurrency and fintech.

One of the key regulatory bodies overseeing Islamic fintech in the UAE is the Dubai Financial Services Authority (DFSA). The DFSA has been proactive in engaging with industry stakeholders to understand the specific challenges and opportunities presented by Islamic fintech. By collaborating with industry players, the DFSA has been able to develop tailored regulatory frameworks that address the unique characteristics of Islamic financial products and services.

In addition to the DFSA, the Securities and Commodities Authority (SCA) in the UAE plays a crucial role in regulating Shariah compliance fintech activities, particularly in cryptocurrency assets, crowdfunding and P2P lending platforms that comply with Shariah principles. The SCA works to ensure that these platforms adhere to ethical and transparent practices, protecting the interests of investors and promoting financial stability.

Furthermore, the Central Bank of the UAE (CBUAE) has also been actively

involved in shaping the regulatory environment for Islamic fintech. The central bank has introduced guidelines and standards for Islamic banks and financial institutions to adopt when offering fintech solutions, ensuring that they meet Shariah compliance requirements and adhere to best practices in risk management and customer protection.

Overall, the regulatory framework for Islamic fintech in the UAE is characterized by a collaborative approach between regulators, industry participants, Shariah experts and Shariah auditors. This approach has helped foster innovation while maintaining the integrity and principles of Islamic finance. Moving forward, continued dialog and cooperation among all stakeholders will be essential to further develop and refine the regulatory landscape for Islamic fintech in the UAE.

As Shariah compliance fintech continues to gain traction among the Islamic financial Institutions in the UAE and beyond, regulators are committed to ensuring that the sector remains robust, competitive and aligned with the values of Islamic finance. By balancing innovation with regulation, the UAE is poised to solidify its position as a leading global center for Islamic fintech.

In recent years, the UAE introduced the Regulatory Laboratory initiative, which allows fintech firms to test their products and services in a controlled environment without immediately being subject to the full regulatory requirements. This sandbox approach has helped start-ups innovate and demonstrate compliance with regulations before scaling up their operations.

Furthermore, the CBUAE issued a regulatory framework for stored value facilities in 2017, which included guidelines for electronic money institutions. This move provided clarity

for fintech companies operating in the payments space and ensured consumer protection in digital transactions.

The convergence of fintech and Islamic finance presents exciting opportunities for innovation and growth in the UAE. Fintech solutions can help streamline Islamic banking operations, enhance customer experiences and improve access to Shariah compliant financial products and services.

For example, blockchain technology can be leveraged to facilitate transparent and secure transactions in Islamic finance, while robo-advisors can offer automated investment solutions based on Shariah principles. P2P lending platforms can also provide alternative funding sources for businesses seeking Islamic financing options.

Looking ahead, the UAE is poised to continue its leadership in both fintech regulation and Islamic finance, driving economic diversification and promoting financial inclusion in the region. By harnessing the power of innovation and adhering to ethical standards, the UAE can further solidify its position as a global fintech and Islamic finance hub. The UAE courts have legalized a broader acceptance of cryptocurrency and digital currency in employment contracts and highlights the court's recognition of the evolving nature of financial transactions within the Web3 economy.

In conclusion, the UAE's progressive regulatory environment and strong foundation in Islamic finance position the country for continued growth and innovation at the intersection of fintech and Shariah compliant financial services. As technology continues to reshape the financial landscape, the UAE stands ready to adapt and thrive in this dynamic environment. ☺